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May 18, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **AVIVA FAMILY AND CHILDREN'S SERVICES CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal review of Aviva Family and Children's Services (Aviva or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

Background

Under the DCFS' Wraparound Program, Aviva provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, Aviva provides mental health services, which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Third District.

DCFS paid Aviva on a fee-for-service basis at $4,184 per child a month (less placement costs) or approximately $1.8 million each year for Fiscal Years (FY) 2007-08 and 2008-09. DMH paid Aviva on a cost-reimbursement basis between $1.89 and $4.51 per minute of staff time ($113.40 to $270.60 per hour) or approximately $6 million and $5.5 million for FYs 2007-08 and 2008-09, respectively.

Purpose/Methodology

The purpose of our program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts and personnel and payroll records. We also interviewed Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether Aviva appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

DMH Program Review

Aviva maintained documentation to support the service minutes sampled and staff assigned to the DMH program possessed the required qualifications. However, Aviva did not always comply with other County contract requirements. Specifically, Aviva:

- Did not adequately describe some elements of the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for 13 (43%) of the 30 clients sampled on their Assessments.

- Did not complete some elements of the participants' Client Care Plans and Progress Notes in accordance with the County contract.

DMH and DCFS Wraparound Fiscal Review

Aviva charged the Wraparound Program $16,099 and DMH $3,717 in questioned costs. Specifically, Aviva:

Wraparound Program

- Over allocated the Wraparound Program $12,225 ($7,244 + $4,981). Specifically, Aviva charged the Wraparound Program for 100% of the lease when the space was also used by a non-Wraparound program. The questioned costs totaled $7,244. In addition, Aviva charged 100% of the telephone charges to DCFS even though non-Wraparound program staff used the telephones. The questioned cost for October 2008 and January 2009 totaled $4,981.

- Charged the Wraparound Program $3,874 (20%) in questioned costs from the $19,078 in Wraparound Program expenditures sampled. Specifically, Aviva charged $1,150 in unallowable and $2,724 in unsupported expenditures.

DMH Program

- Charged DMH $2,326 more than Aviva paid for leasing a facility during FY 2007-08.
- Charged DMH $1,391 (1%) in unallowable expenditures from the $107,619 in DMH expenditures sampled.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Aviva, DMH and DCFS. In the attached response, Aviva agreed to provide documentation to support the $16,099 ($12,225 + $1,150 + $2,724) in questioned DCFS expenditures and reduce their expenditures in their accounting records for any unallowable DCFS costs.

In addition, Aviva agreed to reduce their DMH Cost Report by the $3,717 ($2,326 + $1,391) in DMH related questioned costs. DMH and DCFS indicated that they will follow-up to ensure that Aviva implements the recommendations in this report.

We thank Aviva management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Patirica S. Ploehn, Director, Department of Children and Family Services
Wendy Wolf, Chair, Board of Directors, Aviva
Andrew R. Diamond, President and CEO, Aviva
Public Information Office
Audit Committee

DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
AVIVA FAMILY AND CHILDREN'S SERVICES
FISCAL YEARS 2007-08 AND 2008-09

BILLED SERVICES

Objective

Determine whether Aviva Family and Children's Services (Aviva or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 40 billings totaling 5,110 minutes from 300,135 service minutes and five full-day billings from 1,366 service days of approved Medi-Cal billings from November and December 2008. We reviewed the Assessments, Client Care Plans, Progress Notes and Weekly Summaries maintained in the clients' charts for the selected billings. The 5,110 minutes and five days represent services provided to 30 program participants. In addition, we reconciled an additional 125 service days billed for the Day Rehabilitation Program to the client sign-in sheets.

Results

Aviva maintained documentation to support the service minutes billed. However, Aviva did not always complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.

Assessments

Aviva did not adequately describe some elements of the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis for 13 (43%) of the 30 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

Client Care Plans

Aviva did not complete some elements of the Client Care Plans for five (17%) of the 30 clients sampled in accordance with the County contract. Although the goals in the Client Care Plans were measurable and quantifiable, they were not specific goals.

Progress Notes

The Agency did not always complete some elements of 10 (25%) of the 40 Progress Notes sampled in accordance with the County Contract. Specifically:

- Seven Progress Notes billed for the mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.
- Three Progress Notes for the Medication Support Services did not indicate that the clients were questioned about side effects, response to medication and medication compliance.

Recommendation

1. Aviva management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

STAFFING LEVELS

Objective

Determine whether the Agency's ratios for Qualified Mental Health Professional (QMHP) staff to the total number of clients in its Day Rehabilitation Program do not exceed the 1:10 ratio required by the County contract.

Verification

We selected five days that Aviva billed for the Day Rehabilitation Program during November and December 2008 and reviewed the clients and staff sign-in sheets and staff timecards.

Results

Aviva met the staff ratio requirements for all five days tested.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Aviva's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 20 of the 63 Aviva treatment staff who provided services to DMH clients during November and December 2008.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed Aviva management and reviewed the Agency's financial records. We also reviewed four bank reconciliations for February 2009.

Results

Aviva properly recorded and deposited cash receipts timely. However, the Agency did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, Aviva did not resolve 30 reconciling items totaling $12,927 for over a year. Subsequent to our review, the Agency resolved the 30 reconciling items.

Recommendation

2. Aviva management ensure that reconciling items are resolved timely.

COST ALLOCATION PLAN

Objective

Determine whether Aviva's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

Aviva's Cost Allocation Plan was prepared in compliance with the County contract. However, Aviva over allocated $12,225 in shared program expenditures to the Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program. A similar finding was also noted during our prior monitoring review. Specifically, Aviva allocated:

- 100% of their lease costs when 14% of the space was used by a non-Wraparound program. As a result, Aviva over allocated $7,244 to the Wraparound Program during Fiscal Year (FY) 2007-08.
- 100% of the telephone charges when the Wraparound Program used only 15 (32%) of the 47 lines billed on the telephone charges. As a result, Aviva over allocated $4,981 to the Wraparound Program for October 2008 and January 2009.

Recommendations

Aviva management:

3. **Repay DCFS $12,225.**

4. **Review the telephone expenditures charged to the Wraparound Program during FYs 2007-08 and 2008-09 and return the overcharged amount to DCFS.**

5. **Ensure that shared costs are allocated according to the Cost Allocation Plan and the County contract.**

EXPENDITURES

Objective

Determine whether the DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 10 Wraparound expenditures totaling $19,078, 21 DMH expenditures totaling

$107,619 and 10 indirect expenditures totaling $78,349 between July 2007 and February 2009.

Results

Aviva charged the Wraparound Program $3,874 and the DMH program $3,717 for questioned costs. Specifically, Aviva charged:

Wraparound Program

- $2,724 for unsupported building lease costs during FY 2007-08.
- $1,150 for charitable contribution, late fees and prior year expenditures, which are not allowable expenditures per the County contract.

DMH Program

- $2,326 more than Aviva paid for leasing a facility during FY 2007-08.
- $1,391 for charitable contribution and prior year expenditures, which are unallowable expenditures.

Recommendations

Aviva management:

6. **Repay DCFS $3,874 ($2,724 + $1,150).**
7. **Revise the FY 2007-08 DMH Cost Report to reduce the reported program expenditures by $3,717 ($2,326 + $1,391) and repay DMH for any excess amount received.**
8. **Ensure that only allowable program expenditures are charged to the DMH and Wraparound programs.**
9. **Ensure that program expenditures are supported by adequate documentation.**

FIXED ASSETS

Objective

Determine whether fixed asset costs charged to the DMH and Wraparound programs were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed $3,436 in depreciation charged to the DMH program during FY 2007-08. Aviva did not charge the Wraparound Program for fixed assets.

Results

The depreciation cost charged to DMH was allowable, properly documented and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 20 employees totaling $41,478 to the payroll records and time reports for the pay period ending February 14, 2009. We also interviewed 19 employees and reviewed personnel files for the 20 employees.

Results

Aviva's payroll expenditures were appropriately charged to the DMH and Wraparound programs. In addition, the Agency maintained personnel files as required.

Recommendation

None.

COST REPORT

Objective

Determine whether Aviva's FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

Aviva's Cost Report reconciled to their general ledger.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from prior years monitoring reviews were implemented. The DMH monitoring review report was issued on September 24, 2004 and the DCFS Wraparound monitoring report was issued on August 30, 2007.

Results

DMH Monitoring Report

Our prior monitoring report contained three recommendations. Aviva implemented all three recommendations.

DCFS Wraparound Monitoring Report

The prior monitoring report contained four recommendations. Aviva implemented two recommendations and did not implement two recommendations. As previously indicated, the two outstanding recommendations both related to Recommendation 5 contained in this report.

Recommendation

10. Aviva management implement the outstanding recommendations for the DCFS Wraparound monitoring report.

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aviva
Helping Children & Their Families

March 8, 2010

Wendy L. Watanabe
County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, room 525
Los Angeles, CA 90012-3873

Subject: Aviva Family and Children's Services Contract Review

This letter is in response to the audit report issued by the Auditor-Controllers office in relation to our Wraparound contract with the Department of Children and Family Service's and our Mental Health contract with the Los Angeles Department of Mental Health.

I would like to thank the Auditor-Controllers office for their time and patience while conducting the audit, as well as all of the positive feedback we received.

I would like to further address the findings brought up in the report:

DMH Program Review

Recommendation #1.

Aviva Family & Children's Services (AFCS) will continue maintaining documentation to support the service minutes billed. AFCS will insure completion of all elements of the Assessments, the Client Care Plans and the Progress Notes in accordance with the County Contract requirements through regularly scheduled trainings, regularly scheduled quality improvement reviews, supervisory review of all documentation, and access to documentation guidelines.

DMH and DCFS Wraparound Fiscal Review

Recommendation #2

Aviva's Management will accept the recommendation of the Auditor-Controller and ensure reconciled items are resolved in a timely manner.

Recommendation #3

Repay DCFS $12,225.

We will provide the Auditor-Controller with backup for the correction for the $12,255. We will make an adjustment and have this amount put in a reserve for Wraparound for future services. This amount will also change do to recommendation #4.

Recommendation #4

Review the telephone charges to the Wraparound Program during the FY 2007-08 and 2008-2009 and return the overcharged amount to DCFS.

Aviva conducted further analysis of the phone bills for the periods that cover the audit. We found that in total, the amount charged to the Wraparound contract in error was $23,667.50. This is including the $4,981 mentioned in the finding and in addition to the $12,255 mentioned in recommendation #3. We will reallocate this amount to the Wraparound reserve for future services.

Since all the bills were billed to Wraparound, DMH was not charged its portion of the bill. The analysis shows that there should be additional charges to the DMH cost report of $6,311.33. This adjustment will be made to the cost report and netted with the items on recommendation #7.

Recommendation #5

Ensure that shared costs are allocated according to the Cost Allocation Plan and the County contract.

Aviva will reallocate costs charged to Wraparound that were for another program. This was in issue due to the fact that Aviva received a contract from Los Angeles County. We based the program in an office out of our North Hollywood location, however failed to update the allocation of space to this program and instead charged the entire rent to Wraparound. It was Aviva's error in not allocating rent correctly, and although we do have a cost allocation plan, it does not specifically address space allocation at this location. Backup will be provided to the Auditor-Controller. We will also ensure that shared costs are allocated according to the Cost Allocation Plan and the County contract. These charges totaled $7,274.

Recommendation #6

Repay DCFS $3,874 ($2,724 + $1,150)

The $2,724 was a result of the landlords not providing the detail to the CAM charges that resulted in an overcharge to the Wraparound program. We will provide the Auditor-Controller with the backup that shows the refund was given in a subsequent year, and deducted from that month's rent.

The $1,150 was as the report stated. It was an expense that was miscoded to Wraparound as well as late fees of a rental payment. We will reallocate these costs.

Recommendation #7

Revise the FY 2007-2008 DMH Cost Report to reduce the reported program expenditures by $3,717 ($2,326 + $1,391) and repay DMH for any excess amount received.

Aviva will reduce the total costs stated in the 06-07 cost report and resubmit the revised cost repot to DMH.

Recommendation #8

Ensure that only allowable program expenditures are charged to the DMH and Wraparound programs.

Aviva will be more diligent in ensuring only allowable expenditures are charges to DMH and Wraparound.

Recommendation #9

Ensure that program expenditures are supported by adequate documentation.

Aviva will ensure that adequate documentation is provided for all expenditures.

Recommendation #10

Aviva Management implemented the two outstanding recommendations from the prior monitoring report.

1. Review the mortgage interest and depreciation expenses charged to the Wraparound program.

Aviva preformed an analysis that calculates the amount of interest and depreciation that was overcharged to the indirect cost pool for six months and subsequently charged to the Wraparound program. We will reallocate the $1,672.99 to the reserve account for future services.

2. Ensure that indirect costs are allocated according to the Cost allocation plan.

Aviva has ensured that we have allocated indirect costs according to our Cost Allocation plan. Again, this specific issue stated above was not a finding in this report period.

If you need anything else, feel free to contact me.

Sincerely,

Thomas Bernal
Chief Financial Officer